

City of Detroit


CITY COUNCIL

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TO: COUNCILMEMBERS

FROM: Irvin Corley, Jr., Director 

DATE: February 21, 2007

RE: Resolution Authorizing the Issuance and Sale of Not to Exceed
\$400 Million Water Supply System Revenue Refunding Bonds
(Recommend Approval) Line Item 29 on today's calendar

Council requested that I review the water bond refunding request from Finance referenced above.

Based on my review of refunding schedules received from Finance-Debt Management, approximately \$376 million in outstanding water system revenue bonds are candidates for refinancing or refunding at lower interest rates to achieve interest savings. The refunding candidates comprise of Series 1997 A, 2001 A, 2003 A and 2003 B outstanding water revenue bonds.

The interest rates on the outstanding bonds hover primarily between 5 and 6 percent. It is anticipated that the average interest rate on the outstanding bonds after the refunding would be in the 4.25 percent range.

Going to the lower interest rate would generate approximately \$26 million in present value interest savings over the life of the bonds, which is 28 years. The present value savings approximates 6.9 percent of the principal (\$376 million) of the outstanding bonds. This is excellent; usually, any present value savings of 3 percent and above of principal supports the need to refinance.

I recommend approval of the water bond refunding resolution.

cc: Council Divisions
Auditor General's Office
Roger Short, Chief Financial Officer
Donita Crumpler, General Manager-Finance Debt Management
Pamela Scales, Budget Director
Ervin Stewart, Budget Team Leader
Kandia Milton, Mayor's Office

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File
CITY OF DETROIT
FINANCE DEPARTMENT

NOTE TO COUNCIL:
THIS MATTER WILL BE
BROUGHT INTO COMMITTEE
ON THURSDAY FEB 15 2007

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February 9, 2007

Honorable City Council:

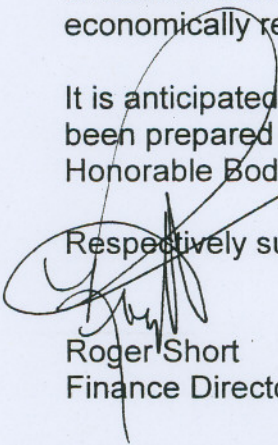
**RE: Resolution Authorizing the Issuance and Sale of Not to Exceed
\$400,000,000 Water Supply System Revenue Refunding Bonds**

The attached Resolution authorizes the issuance and sale of the subject Bonds for the purpose of providing approximately \$400 million to be used for refunding certain of the currently outstanding Water Supply System Revenue Bonds.

Because of a continued decline in interest rates, certain of the previously issued Water Bonds may be refinanced, thereby producing interest savings. The actual amount of Bonds will likely be reduced, depending on which Bonds may be economically refunded at the time of the actual sale.

It is anticipated that the sale will occur in mid April. The attached Resolution has been prepared by Bond Counsel, and I recommend its adoption by your Honorable Body, with waiver of reconsideration, at your next formal session.

Respectfully submitted,


Roger Short
Finance Director

Cc: Kandia Milton
David Whitaker
Irvin Corley

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Copy given Council
02 14-07 (RJ)

KWAME M. KILPATRICK, MAYOR